

EXECUTIVE SUMMARY

RETIREMENT REFORM AND ~~ITS~~ IMPACT ON CIA

It can be expected that in 1984 the Administration or Congress will introduce special supplemental retirement plan proposals for participation by federal employees hired after 31 December 1983. Serious future problems for CIA are foreseen unless the early retirement provisions of such a plan are essentially the same as under current Civil Service and CIARDS law.

The institution of a future plan which imposes heavily reduced benefits for early retirement and/or extends the eligibility age for reasonable annuities will:

Essentially eliminate early retirement by employees who decide to spend their careers in the federal service. Typical retirements will be at 65 years of age or older with 35 to 40 years of service in order to qualify for full annuity and pension benefits.

Conversely, through establishing the portability of Social Security coverage from federal service to the private sector, will stimulate movement of younger officers to non-government employers offering higher inducements.

Eliminate a vital management tool to CIA--the current provisions of both Civil Service and CIARDS law--which has provided the Agency with a capability to recruit and maintain the quality workforce in both the domestic and foreign sides of the Agency so essential to serving the Nation's vital intelligence needs.

Eliminate one of the strongest inducements for recruitment--the ability to offer, in return for service in demanding and often hazardous circumstances, the prospects of a career with developmental opportunities, timely promotions, and retirement with non-reduced annuities at a relatively young age.

Create severe blockages in our career paths and seriously impair the ability of management to move promising individuals through needed rotational and developmental assignments.

Essentially reduce promotion headroom in future years as employees defer their retirement to age 65 or later with 35 or 40 years of service.

Nullify the understanding and intent of Congress when it enacted the CIARDS Act in 1964 in recognition of the special circumstances of service with the Clandestine side of the Agency abroad. The circumstances of frequently dangerous and adverse conditions can lead to early burnout or compromise. The absence of early retirement incentives for these employees would be severely incompatible with effective staffing of our overseas stations.

- ~~12~~ ^{Establish} The ~~PORTABILITY~~ of Social Security coverage ^{which} would result in increased turnover of intelligence personnel and present increased security threats to safeguarding national security information.

- ~~12~~ ^{INCLUDE} ~~Inclusion of~~ CIA personnel, whether overt, covert, or potentially covert in the Social Security data base ^{And poses} ~~poses~~ severe security risks in terms of protecting the identities of individuals and the access by unauthorized persons to complete listings of all CIA personnel.

COMPARISONS OF RETIREMENT OPTIONS AND BENEFITS

Federal Employee Under Current Civil Service
Compared With
Federal Employee Under Proposed Social Security
Coverage and Supplemental Retirement Plan

CASE EXAMPLE: 55 Year Old with 30 Years of Service--Retired as GS-12, Step 5

CURRENT CIVIL SERVICE (CSR)
Employee Cost - 7% of Salary
High-3 Average - \$30,331
Basic Annuity - \$17,061 per year (b)
\$ 1,421 per month
Penalty for Early Retirement - 0%
Monthly Annuity at Age 55 - \$1,421 per month

COMBINED SOCIAL SECURITY AND SUPPLEMENTAL RETIREMENT PLAN (SRP)
Employee Cost - 11.3% (5.7% Social Security and 5.6% SRP) of Salary
PART I - Supplemental Retirement Plan
High-5 Average - \$28,088 (a)
Basic Annuity - \$12,640 (c)
Less 50% Penalty for Early Retirement - \$6,320 (d)
\$ 527 per month
PART II - Social Security
Annual Salary Last Year of Work - \$33,290 (e)
Eligibility for Reduced Benefits at Age 62 - \$6,108 per year (e)
\$ 509 per month
Eligibility for Full Benefits at Age 67 - \$8,748 per year (e)
\$ 729 per month
Monthly Supplemental Retirement Plan at Age 55 - \$527 per month
Total Combined Annuity/Social Security at Age 67 - \$1,256 per month

NOTES: (a) A high-5 average salary base for annuity computation rather than high-3 can be assumed based upon the retirement proposals announced by the Administration.
(b) Currently based on 7% employee contributions.
(c) Supplemental Retirement Plan is proposed at 5.6% employee contribution. This can be assumed to produce a reduced basic annuity in proportion to the difference between what the current 7% employee contribution may earn compared to a 5.6% contribution.
(d) Early retirement penalty of 50% of annuity.
(e) Current (1983) maximum annual earnings allowed for Social Security benefit computation is \$35,700. Maximum annuity at age 62 is \$509 per month and maximum at age 65 is \$729 per month. Full benefit age will be extended to age 66 in the year 2009 and to age 67 in 2027. Age 62 for reduced benefits (70% of full benefits) will continue to be retained.

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